

Message Text

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C O N F I D E N T I A L HONG KONG 4406

E.O. 11652: GDS
TAGS: EAIR, HK, UK
SUBJECT: US-UK CIVIL AIR NEGOTIATIONS

REF: A. STATE 86701, B. HONG KONG 3421

1. CONGEN COMMENTS ON REFTEL A, PARA 2.

A. AIR CARGO CAPACITY ON US-UK ROUTES IS ADEQUATE FOR CURRENT DEMANDS, ACCORDING TO US CARRIER REPRESENTATIVES. US SCHEDULED CARRIES NOW HAVE APPROXIMATELY 60 PERCENT-70 PERCENT SHARE OF US-UK AIR CARGO MARKET, WITH BRITISH AIRWAYS AND AIR FRANCE HOLDING SMALL BUT STILL SIGNIFICANT SHARES(VIA EUROPE TO US EAST COAST). SCHEDULED US CARRIES APPEAR TO BE RESPONSIVE TO EXPORTERS NEEDS, HELPED BY MEETING THROUGH AMCHAM TEXTILE AND TRANSPORTATION COMMITTEES TO DISCUSS AND COORDINATE PROJECTED REQUIREMENTS. ALL THREE MAJOR US LINES (FLYING TIGER, PAN AM, NW ORIENT) PLAN TO INCREASE THEIR CAPACITY IN 1977, EITHER BY INCREASING FREQUENCY OR BY INTRODUCING WIDE-BODIED AIRCRAFT, OR BOTH. SOME OBSERVERS OF HK AIR CARGO SCENE EVEN FORSEE SLIGHT OVERCAPACITY IN FIRST HALF OF 1978.

B. "FUORE" MENTIONED BY UK DEP REP (REFTEL A, PARA 2) MIGHT REFER TO FRANTIC SITUATION IN SEPTEMBER 1975 WHEN MANY HK
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GARMENT EXPORTERS NEEDED EXTRA AIR FREIGHT CAPACITY TO SHIP THEIR AUTHORIZED ALLOTMENTS BEFORE THE SEPTEMBER 30 END OF THE "TEXTILE QUOTA YEAR" SPECIFIED IN THE US-HK BILATERAL TEXTILE AGREEMENT. IN RETROSPECT, SEPTEMBER '75 PROBLEMS APPEAR TO HAVE BEEN CAUSED BY UNIQUE COINCIDENCE OF SEVERAL FACTORS IN TEXTILE AND GARMENT TRADE, AND AGGRAVATED BY AIRLINES' SERVICE CUTBACKS FOLLOWING SAIGON EVACUATION. FOR OTHER YEARS PEAK

DEMANDS FOR CARGO SPACE HAVE GENERALLY BEEN SATISFIED BY CARRIERS.

C. US CARRIER LOCAL REPS CONTEND THAT RELATIVELY FE NON-SCHEDULED CARGO CARRIERS HAVE ENTERED US-HK MARKET BECAUSE; 1) CURRENT OUTBOUND DEMANDS CAN USUALLY BE MET BY SCHEDULED CARRIERS, 2) HK RESTRICTIONS ON CONSOLIDATED CHARTERS TEND TO MAKE MARKET UNATTRACTIVE, 3) INBOUND CARGO IS INSUFFICIENT. MAJOR CONSTRAINT ON GROWTH OF CAPACITY IN US-UK MARKET NOW APPEARS TO BE IMBALANCE INBOUND AND OUTBOUND CARGO (SEE STATISTICS PARA 2 FOR IMBALANCE IN TOTAL AIR CARGO TRAFFIC.) ONE US REP COMMENTED THAT IN A TYPICAL PEAK PERIOD MONTH HIS LINE'S OUTBOUND CARGO IS TEN TIMES INBOUND.

D. CONGEN VIEWS RISE IN AIR FREIGHT VOLUME TO US AS A LONG TERM TREND REFLECTING BASIC DEVELOPMENT IN HK'S EXPORT ECONOMY ITSELF. THAT IS, SHIPMENT BY AIR BECOMES PROGRESSIVELY MORE ATTRACTIVE AS HK EXPORTS ARE UPGRADED AND SHOW HIGHER UNIT VALUE, FOR EXAMPLE HIGH FASHION GARMENTS AND SOPHISTICATED ELECTRONICS.

FOLLOWING STATISTICS DRAWN FROM MOST RECENT HKG MONTHLY STATISTICAL ABSTRACT, WILL CLARIFY REFTEL B PARA 4D.

TABLE A

TOTAL AIR CARGO (IN METRIC TONS) IMPORTS EXPORTS

1974	35,485	66,773
1975	40,789	100,831
1976	51,207	112,028

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NOTE: 12,00 METRIC TONS FIGURE FOR 1976 GIVEN IN REFTEL B, PARA 4D, IS WRONG, 112,028 MT IS CORRECT.

TABLE B

HKG PUBLISHED STATISTICS ON DESTINATION POINTS OF AIRCARGO EXPORTS AND ORIGIN POINTS OF AIR CARGO IMPORTS ARE TABULATED BY HK DOLLAR VALUE REPEAT VALUE NOT BY VOLUME. ACCORDING TO THESE FIGURES, PERCENTAGES OF TOTAL (-100 PERCENT) AIR CARGO SHIPMENTS WERE DISTRIBUTED AS FOLLOWS:

	US IMPORTS	ASIA EXPORTS	IMPORTS	EXPORTS
	(EXPORTS AND REEXPORT EXPORTS)	(EXPORT AND RE- EXPORTS)		
1974	25 PERCENT	34 PERCENT	40 PERCENT	34 PERCENT
1975	26 PERCENT	34 PERCENT	42 PERCENT	29 PERCENT
1976	25 PERCENT	37 PERCENT	43 PERCENT	29 PERCENT

FOR THIS TABLE, "ASIA" HAS BEEN DEFINED TO INCLUDE:
TAIWAN, INDONESIA, PHILIPPINE, SOUTH KOREA, THAILAND,
JAPAN, SRI LANKA, INDIA, MALAYSIA, SINGAPORE, OCEANIA,
AUSTRLIA, NEW ZEALAND AND IN 1974 ONLY, VIETNAM.
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